

Message Text

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PAGE 01 SEOUL 00066 01 OF 02 060610Z

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

TRSE-00 OMB-01 AID-05 /042 W

-----060616Z 087923 /15

R 060233Z JAN 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1339

INFO USDOC WASHDC

AMEMBASSY BERN

AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 SEOUL 0066/1

E.O. 11652: N/A

TAGS: BENC, KS

SUBJECT: MAJOR PROJECT-ULSAN POWER PLANT 3X300 MW, KECO

REF: 76 STATE 06702, 76 SEOUL 9787

1. EMBASSY HAS BEEN IN CONTACT WITH OFFICIALS OF KOREA ELECTRIC COMPANY (KECO) AND LEARNED THAT KECO HAS RECEIVED BIDS(PROPOSALS) FROM TOSHIBA (JAPAN), HITACHI (JAPAN), KAWASAKI (JAPAN), KWU (W-GERMANY) AND BROWN BOVERI (SWITZERLAND) ON ONLY ONE 300 MW UNIT WHICH KECO IDENTIFIES AS ULSAN NUMBER FOUR (FIRST THREE UNITS AT ULSAN ARE COMPLETED AND IN OPERATION). KECO IS PRESENTLY EVALUATING THE BIDS AND AS OF JANUARY 3 NO REPEAT NO CONTRACT HAS BEEN MADE.

2. KECO HAS NOT YET ISSUED INVITATIONS (INQUIRY) FOR PROPOSALS TO FOREIGN FIRMS FOR THE TWO ADDITIONAL 300 MW (NUMBERS FIVE AND SIX) TO BE BUILT FOR THE ULSAN PLANT. HOWEVER, EMBASSY HAS LEARNED THAT KECO ISSUED A LETTER EXPRESSING ITS INTENT TO CONTRACT THE CONSTRUCTION OF THESE TWO 300 MW UNITS WITH THE DAE WOO HEAVY INDUSTRIAL CO. (DWHIC-WTDR-07-76; FORMERLY KNOWN AS HANKOOK MACHINE INDUSTRIAL CO.) ON A TURNKEY BASIS, WITH THE REQUEST THAT
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DWHIC SUBMIT ITS PACKAGE PROPOSAL BY JANUARY 20, 1977 INCLUDING COMMERCIAL CONDITIONS, PRICES, TECHNICAL SPECIFICATIONS, ETC. FOR REVIEW BY KECO.

3. DAEWOO IS BELIEVED TO BE IN PROCESS OF CONCLUDING A TECHNICAL ASSISTANCE AND LICENSE MANUFACTURING ARRANGEMENT WITH SWISS FIRM BROWN BOVERI CO. (BBC) PERMITTING THE LOCAL

ASSEMBLY OF INDUSTRIAL STEAM TURBINES. BASED ON THIS LICENSING ARRANGEMENT DAEWOO APPARENTLY APPROACHED KECO AND MINISTRY OF COMMERCE AND INDUSTRY OFFICIALS FOR LONGER TERM COMMITMENTS FOR CONTRACTS INVOLVING DAEWOO-PRODUCED STEAM TURBINES AND RELATED POWER PLANT EQUIPMENT. THE BBC OFFER FOR ULSAN UNIT FOUR IS PROBABLY DIRECTLY RELATED TO THE PENDING DAEWOO LICENSING AGREEMENT AND INDEED MAY BE A ROKG APPROVED COMMERCIAL QUID PRO QUO WHEREBY BBC RECEIVES THE EQUIPMENT CONTRACT FOR ULSAN FOUR IN EXCHANGE FOR LOWER NEAR TERM RETURNS ASSOCIATED WITH ITS TRANSFER OF MANUFACTURING TECHNOLOGY TO DAEWOO. FOR ITS PART, DAEWOO, IN RECEIVING CONDITIONAL KECO LETTER OF INTENT FOR A ULSAN UNITS FIVE AND SIX, IS ENCOURAGED TO MOVE AHEAD WITH ITS LOCAL EQUIPMENT MANUFACTURING EFFORT. A SIMILAR INDUCEMENT WAS USED IN EARLY 1976 WITH THE DAEWOO GROUP'S CHIEF DOMESTIC COMMERCIAL RIVAL, HYUNDAI INTERNATIONAL. HYUNDAI NEGOTIATED A LICENSING RELATIONSHIP WITH GE OF U.S. AND RECEIVED A CONDITIONAL LETTER OF INTENT FOR TWO 300 MW UNITS, TENTATIVELY IDENTIFIED AS ASAN ONE AND TWO. GE WAS AWARDED A CONTRACT IN JULY 1976 FOR TWO 300 MW COMBINED CYCLE POWER PLANTS AND ITS LICENSEE HAS RECEIVED SIGNIFICANT SUBCONTRACTS FOR LOCAL COMPONENTS.

4. ULSAN UNIT FOUR IS RECENT KECO PRIORITY PROJECT WHICH THE UTILITY EXPECTS TO HAVE ON LINE NO LATER THAN MAY 1979. THE UNUSUALLY TIGHT 24 MONTH CONSTRUCTION SCHEDULE ASIDE, U.S. FIRMS HAVE EXPRESSED INTEREST AND HAVE DISCUSSED ULSAN FOUR WITH KECO, GE AND MORE RECENTLY INDUSTRIAL TURBINE GROUP OF UNITED TECHNOLOGIES, HAVE SUGGESTED TO KECO THAT

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24 MONTH SCHEULE COULD BEST BE MET WITH COMBINED CYCLE UNITS IDENTICAL TO TWO UNITS RECENTLY AWARDED TO GE/HYUNDAI TEAM. KECO HAS EXPRESSED LITTLE INTEREST IN THIS APPROACH AND GE HAS BACKED OFF BELIEVING BBC IN COOPERATION WITH DAEWOO HAS CARRIED THE DAY. EMBASSY WILL CONTINUE TO REPORT AS THESE PROJECTS DEVELOP.

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

TRSE-00 OMB-01 AID-05 /042 W

-----060617Z 087887 /15

R 060233Z JAN 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1340

INFO USDOC WASHDC

AMEMBASSY BERN

AMCONSUL ZURICH

UNCLAS SECTION 2 OF 2 SEOUL 0066/2

E.O. 11652: N/A

TAGS: BENC, KS

SUBJECT: MAJOR PROJECT-ULSAN POWER PLANT 3X300 MW, KECO

REF: 76 STATE 306702, 76 SEOUL 9787

5. EMBASSY HAS AIR POUCHED TO MEPD THIS DATE TWO COPIES OF KECO'S LONG-RANGE POWER DEVELOPMENT PROGRAM (10 YEAR PROGRAM BETWEEN 1976 TO 1986), PREPARED IN OCTOBER 1976 BY KECO AS A PLANNING PAPER FOR INTERNAL USE. ALTHOUGH NOT CLASSIFIED, IT HAS NOT BEEN RELEASED TO THE PUBLIC AND SHOULD THEREFORE BE USED WITH DISCRETION. TEN YEAR PROGRAM ON PAGE 21, TABLE SEVEN LISTS "NEW THERMAL POWER ADDITIONAL" WHICH IS IDENTICAL WITH ULSAN FOUR. PROJECTS LISTED AS "NEW THERMAL POWER PLANTS NO. 1 AND 2" ARE ULSAN UNITS FIVE AND SIX, SLATED FOR COMPLETION IN 1980 AND 1981 RESPECTIVELY.

6. IMPLEMENTING OFFICER IN THE KECO FOR THE ULSAN PLANTS IS AS FOLLOWS:

MR. PARK BYUNG-HO, CHIEF,
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FOREIGN SUPPLY DEPARTMENT,
KOREA ELECTRIC COMPANY,
#5, 2-KA, NAMDAEMOON-RO, CHUNG-KU,
SEOUL, KOREA
CPO BOX: 740
CABLE: KELECCO SEOUL
TELEX: KELECCO K2487

7. QUESTIONS RAISED IN PARA TWO, FIRST REFTEL, ARE ANSWERED IN SEOUL'S 9787 WHICH REPRESENTS FIRST ALERT ONLY ON PROJECT. THE 200 MW PLANT IS PROJECT LISTED ON TEN YEAR PROGRAM AS "COAL-OIL FIRED THERMAL PLANT NOS. ONE AND TWO." EPB

HAS APPARENTLY DECIDED TO APPROACH ADB FOR FINANCING
ON ONE OF THESE UNITS.
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Message Attributes

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Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Executive Order: N/A
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